

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04  
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15  
STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 /114 W  
-----078965 180848Z /15

R 180805Z AUG 77  
FM AMEMBASSY BERN  
TO SECSTATE WASHDC 4794  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMCONSUL ZURICH

UNCLAS SECTION 1 OF 2 BERN 3745

USDEL MTN ALSO FOR MISSION, USOECD ALSO FOR EMBASSY,

PASS TREASURY AND FRB

EO 11652: NA  
TAGS: EFIN SZ  
SUBJ: SWISS FINANCIAL SUMMARY: WEEK OF AUG 7-13

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC ROSE  
TO SF 2.41 IN CALM MARKET. GOLD PRICE EASED  
SLIGHTLY. CAPITAL MARKET INTEREST RATES SHOWED  
DOWNWARD TREND. TRIBUNE DE GENEVE PUBLISHED SPECIAL  
REPORT ON CREDIT SUISSE CHIASSO AFFAIR. BIG BANKS  
FAILED TO RENEW AGREEMENT TO LIMIT NEW BRANCH  
OPENINGS. HERVEL AND CO, GENEVA, DECLARED BANKRUPTCY. END SUMMARY.

2. FOREIGN EXCHANGE AND GOLD: DEALERS SAID THAT  
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DOLLAR RATE AGAINST SWISS FRANC INCREASED DUE TO  
STATEMENTS BY US TREAS SECY AND WEST GERMAN  
FINANCE MIN REGARDING NECESSITY FOR STRONG  
DOLLAR, AND ALSO REFLECTED DOLLAR GAIN AGAINST DM  
RESULTING FROM COMPARATIVELY HIGHER US INTEREST  
RATES AND LOWER US UNEMPLOYMENT RATE. SWISS FRANC  
ROSE AGAINST MOST OTHER CURRENCIES. SOME DEALERS

EXPRESSED OPINION THAT IMMEDIATE DOLLAR PROSPECTS  
HAVE IMPROVED AND THAT NEW MARKET TREND PACESETTER  
COULD BE DM. GOLD PRICE EASED SLIGHTLY  
FRIDAY AFTER REMAINING STEADY AT 145 ALL WEEK.  
DEALERS SAID DECLINE RESULTED FROM DOLLAR STABILIZATION  
ON EXCHANGE MARKETS BUT EXPECTED END-AUG GOLD  
DEMAND INCREASE FROM INDUSTRIAL USERS TO EXERT  
UPWARD PRICE PRESSURE. DEALERS REPORTED SOUTH  
AFRICAN GOLD MARKET DELIVERIES WERE HOLDING AT  
ABOUT RECENT LEVELS WHILE SOVIETS HAD REDUCED THEIR  
OFFER. RATES FOLLOW:

ITEM- 8/8(OPEN) - 8/12(CLOSE)  
SPOT DOLLAR - 2.4080 - 2.4180  
FORWARD DISCOUNTS (PERCENT PER ANNUM)  
ONE MONTH - 3.78 - 4.12  
TWO MONTHS - 3.68 - 4.02  
THREE MONTHS - 3.65 - 3.89  
SIX MONTHS - 3.30 - 3.49  
TWELVE MONTHS - 3.07 - 3.25  
SF/DM - 104.42 - 103.78  
GOLD - 145.75 - 144.5

3. CAPITAL AND MONEY MARKETS: STOCK PRICES ROSE  
AS INVESTORS REACTED TO LOWER CAPITAL MARKET INTEREST  
RATES. SKA INDEX ROSE 1.7 PERCENT TO 226.3. AVERAGE  
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YIELD CONFEDERATION BONDS FELL TO 4.12. UNION BANK  
OF SWITZERLAND BORROWING OF SF 100 MILLION AT 4.5  
PERCENT INTEREST WAS OVER-SUBSCRIBED, AS WAS NEW  
BRUNSWICK ELECTRIC POWER LOAN OF SF 80 MILLION AT  
5.25 PERCENT INTEREST. CREDIT SUISSE ANNOUNCED  
BORROWING OF SF 100 MILLION AT 4.5 PERCENT FOR 12  
YEARS. MARKET OBSERVERS EXPECT REAL INTEREST RATES  
TO DECLINE FURTHER AS BOND PRICES RISE. HOWEVER,  
FINLAND ANNOUNCED SF 80 MILLION LOAN AT 5.25 PERCENT  
FOR 15 YEARS AT 99 PERCENT PAR ISSUE.

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-----079268 180917Z /15

R 180805Z AUG 77

FM AMEMBASSY BERN

TO SECSTATE WASHDC 4795

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

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UNCLAS SECTION 2 OF 2 BERN 3745

USDEL MTN ALSO FOR MISSION, USOECD ALSO FOR EMBASSY,

PASS TREASURY AND FRB

4. CHIASSO AFFAIR: TRIBUNE DE GENEVE CONCLUDED  
SERIALIZED REPORT ON CREDIT SUISSE CHIASSO SCANDAL  
THAT PROVIDED SOME ADDITIONAL DETAILS. TRIBUNE  
REPORTED THAT IN EARLY 1976 UNION BANK OF SWITZERLAND  
GAVE CREDIT SUISSE ZURICH MANAGEMENT COPY OF  
IMPROPER GUARANTEE ON TEXON INVESTMENT GIVEN BY  
CHIASSO BRANCH MANAGER KUHRMEIER. PAPER ALLEGED  
THAT FOR YEARS KUHRMEIER WAS ABLE TO PUT OFF INQUIRIES  
INTO TEXON AFFAIR BY ZURICH MANAGEMENT WITH ASSURANCES  
THAT HE WOULD DISCONTINUE IMPROPER ACTIVITIES.  
TRIBUNE ALSO REPORTED THAT RESIGNATION OF CREDIT  
SUISSE ASST GEN MANAGER SERGE DEMIEVILLE,  
OSTENSIBLY TO TAKE RESPONSIBILITY FOR CHIASSO/TEXON  
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AFFAIR, RESULTED FROM HIS HAVING APPROVED LARGE  
QUESTIONABLE LOANS TO MOLINI CERTOSA ITALIAN  
SPAGHETTI CONGLOMERATE (SEE THE ECONOMIST  
JUN 11, 1977, PAGE 128). TRIBUNE ALSO ALLEGED  
THAT ACTIVITIES OF CHIASSO BRANCH EXEMPLIFIED  
SPIRIT PREVALENT IN THE BANK AFTER 1971 WHEN  
MANAGEMENT ENCOURAGED AGGRESSIVE RISK-TAKING  
IN EFFORT TO CATCH UP WITH OTHER TWO BIGGEST SWISS  
BANKS WHOSE ASSETS BEGAN GROWING AT FASTER RATE  
THAN THOSE OF CREDIT SUISSE.

5. BANK BRANCHES: FIVE LARGEST BANKS HAVE FAILED TO RENEW 4-YEAR AGREEMENT TO LIMIT OPENING NEW BRANCHES WHICH EXPIRED END JUN 77. MOST BANKS AGREE THAT ECONOMIC SITUATION NO LONGER REQUIRES LIMITING NEW OPENINGS BECAUSE MOST BRANCHES ARE NOT PROFITABLE IN SATURATED BANKING SECOTR. HOWEVER, CREDIT SUISSE IMMEDIATELY OPENED 3 NEW BRANCHES IN JUL. SWISS BANKERS' ASSN WILL ATTEMPT TO REACH COMPROMISE DURING COMING WEEKS. NUMBER OF BRANCHES OF SMALL REGIONAL AND PRIVATE BANKS HAS DECLINED SINCE 1972 WHILE NUMBER OF BRANCHES OF LARGEST SWISS AND FOREIGN BANKS GREW. FOLLOWING SHOWS NUMBER OF BRANCHES BY BANK CATEGORY:

YEAR/1972/1976  
CANTONAL BANKS/1235/1254  
FIVE LARGEST BANKS/610/706  
SAVINGS BANKS/1185/1095  
LOAN BANKS/1168/1207  
OTHER BANKS/308/401  
FINANCE COMPANIES/66/69  
FINANCE COMPANIES/66/69  
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FOREIGN BANKS/26/22  
PRIVATE BANKS/37/29  
TOTAL/4635/4783

6. BANKRUPTCY: GENEVA COURT DECLARED HERVEL AND CO, SA, GENEVA, BANKRUPT. RUMORS INDICATE LIQUIDITY SHORTFALL OF SF 20 TO SF 50 MILLION. HERVEL AND CO WAS FOUNDED JUL 1976 BY THEODORE AND SERGE HERVEL (FATHER AND SON) ORIGINALLY AS REAL ESTATE MANAGEMENT FIRM BUT RECENTLY SWITCHED TO MANAGING LARGE INVESTMENT ACCOUNTS. PRESS REPORTED THAT HERVELS SET UP INTERNATIONAL INVESTMENT BANK IN CURACAO AND SOCIETE FOR APPLIED INDUSTRIAL/COMMERCIAL RESEARCH (SEDAIC) WHICH ACTUALLY SOLD HELICOPTERS AND POSSIBLY ARMS TO SOUTH AMERICA. PRESS ALSO ALLEGED THAT HERVELS HAD CONNECTION IN LIECHTENSTEIN. BOTH HERVELS, FRENCH CITIZENS, ARE REPORTED MISSING.ODELL

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## Message Attributes

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